MANAGEMENT AND COST ANALYSIS OF INSURANCE-BASED SOCIAL BENEFITS IN THE REPUBLIC OF AZERBAIJAN

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Introduction. Mechanisms for strengthening social protection in the Republic of Azerbaijan are important to improve social payments within the state's social insurance (insurance-pension) system. The relevance lies in establishing a theoretical and conceptual framework for making informed decisions on improvements at the management level based on the optimal use of the state social insurance system's financial and resource capabilities for social protection.

Aim and tasks. This study aims to substantiate management decisions and analyse the cost of social protection within the current state of the social insurance system in Azerbaijan. The study also analyses the importance of implementing this benefit scheme in the Republic of Azerbaijan, its role in social protection, and the need to increase its amount.

Results. The analysis of social protection costs within Azerbaijan's current state social insurance system highlights the need to increase childcare benefits by 57.1% for children under 1.5 years of age and 59.1% for children aged 1.5 to 3 years. This need is driven by demographic changes (from 5.2 children per woman in the 1970s to 1.825 in the 2020s), increasing life expectancy (from 69.8 years in the 1970s to 76 years in 2023), and a shrinking working-age population (the share of children aged 0-14 years fell from 32.6% in 1995 to 21.2% in 2024). This trans poses long-term risks to the pension system's financial sustainability and social protection. Currently, the benefit is only 16.29% of the subsistence minimum and less than 3.5% of the monthly food expenses, which is insufficient for the needs of families. The State Social Protection Fund (hereinafter – Fund) has sufficient resources for an increase, which is confirmed by the analysis of the budget and the dynamics of income from mandatory contributions. The share of childcare benefits in the fund's total expenses is only 0.14%, and its share in GDP is less than 0.01%. International experience confirms that increasing benefits can increase birth rates and reduce poverty.

Conclusions. This study strengthens the foundation for making prospective socio-economically effective decisions in the field of social protection based on a grounded approach, as well as international experience. Currently, there are unused economic and financial opportunities to revise (increase) the amount of childcare benefits that are of public interest in the Republic of Azerbaijan. Moreover, sufficient motives exist for introducing these increases, which would be acceptable as management tools for improvement.

Keywords: social welfare, cost analysis, state social insurance system, social benefit, childcare benefit.

1. Introduction.

Currently, the use of childcare benefits as a social protection mechanism is widely applied. The goals behind its application can be summarised in three main directions: (i) demographic-stimulating goals, (ii) the development of a gender-balanced labour market, and (iii) the improvement of national social insurance systems. Although this naturally touches on related areas, the aim is to consider discussions on the topic from the perspective of improving the national social insurance systems.

Under the legal framework of the Republic of Azerbaijan, the expansion of social benefits aligns with a country's social policy. In recent years, intensive reforms in this area have led to further improvements in social protection. Efforts to implement these reforms comprehensively and consistently in line with modern requirements and challenges have yielded significantly positive results.

As a result of the country's economic development, increased state and entrepreneurial revenues, tax revenues, wage funds, and the continued growth in extra-budgetary state fund revenues have created additional financing opportunities through these funds. As a social protection tool, the state insurance-pension system has become more capable of directing these increased financing opportunities to expand and qualitatively improve social protection. This includes several increases in labour pensions within the insurance-pension system over a short period during the reforms.

The increase in pensions, as a component of population income, has ensured a significant increase in the well-being of pensioners and other socially insured individuals. As this category represents a significant share of the country's population, it requires a unique approach. Regarding the significant development indicators of social protection by sector, it should be noted that it is important to achieve the growth dynamics achieved in pension provision financed by the State Social Protection Fund, which is an extra-budgetary fund, as well as benefits financed from the same source (Curran & Minoff, 2020).

Although increases in insurance-based social benefits have not been completely ignored in the past, provision through this mechanism lags behind the pension system, which has a more structured organisation, management, and financial framework. This gap has led to greater state-level administrative control over social benefits, thus highlighting a new trend. Maintaining the importance of social insurance payments in terms of benefits paid from contributions to compulsory state social insurance, such as childcare, birth, and funeral benefits, ensures income stability and meets social protection needs.

Therefore, it is important to review these benefits periodically. It should be noted that insurance-based benefits lag significantly behind pension payments, which have been growing at a more incredible pace in terms of increasing the population's trust and commitment to the social protection system.It is currently of particular socio-economic importance to consider the increase in benefits for childcare, a development component of the social protection system based on scientific-theoretical analysis.

Unlike the other types of aid listed, which are one-time payments, monthly aid reveals the importance of maintaining an appropriate level of financial efficiency in household income. To achieve this, it is first necessary to amend the regulatory framework regulating the field and determine this reform's financial and economic foundations using scientific approaches.

2. Literature review.

The issues mentioned in the previous subsection arise from this study's motivation, which focuses on an overview of comparable national social insurance systems. The initial picture suggests that researchers are more concerned about universal benefits. This study aimed to determine the impact of family allowance for children less than three years of age on the structure of consumption expenditures. The difference-in-differences method shows that this allowance increases family health care (health care costs), reduces home food costs, and simultaneously increases non-consumption expenditures such as weddings, funerals (Jensen & Blundell, 2023).

This issue arises from differences in local social and cultural norms compared with the West. This suggests that its implementation has different consequences in different countries. Simultaneously, similar studies conducted in countries such as the United Kingdom, Germany, Canada, and the Netherlands have shown that the composition of family expenses has different effects on the approach to spending on children (Wang et al., 2021).

The study, which began in South Korea in September 2018, is the first to examine the impact of the monthly allowance increase for children aged 0-5 (in contrast to previous studies that focused more on economic outcomes) and is the first to examine the impact of the benefit increase on maternal physical and mental health (Kwon & Nam, 2022).

This study used nationally representative data from the Korea Well-being Panel Study (KOWEPS) between 2017 and 2018. The analytical sample consisted of 772 Korean mothers aged 2–7 years with their youngest children.

The study results suggest that this reform in Korea has improved maternal health and life satisfaction and may also improve mothers' physical and mental health. These findings suggest a causal relationship between income and health. The results were also considered relevant to the political movement surrounding the issue of increasing benefits for children under 18 years old (Kwon & Nam, 2022).

Another study argues that in the United States, despite social insurance and welfare programs, there is uncertainty about their adequacy in meeting the financial needs of families with children, particularly during crises, including the pandemic. It emphasises the importance of mitigating inequality and providing additional assistance to these families, and the history of benefits dating back to the 1940s and their growth in countries such as Ireland and Canada (Curran & Minoff, 2020). A study of the macroeconomic effects of family policy reforms implemented in the United States in 2024, which differs from other OECD countries in size and composition, uses mathematical economic modelling of three policy instruments (tax credits, subsidies, and childcare benefits).

It argues that expanding family policies, such as the American Rescue Plan, improves welfare and that the optimal family policy for the United States is about 3% of GDP, three times the current spending on childcare subsidies. It emphasises the importance of family policies for welfare assessment and the need for ongoing research to maximise social benefits and promote equitable economic growth, including increased security benefits (Komada, 2024).

It should be noted that recent research in this direction also places special emphasis on examining gender-based factors in regulations aimed at increasing benefit amounts. Although it is generally believed that child benefits have a positive effect on fertility, research conducted in 2020 has analysed the effects of gender-based child benefits and wage discrimination on fertility in a macroeconomic modelling format.

Even if the positive effects of child benefits covering childcare costs in the market and spending more time with children are accepted, this study showed adverse effects on fertility when the gender factor exceeds a certain threshold. It emphasised that men's participation in childcare positively affects fertility and maintaining gender equality for the increase in child benefits. It was concluded that childbirth increases when child benefits increase the time allocated to childcare and the demand for necessary goods for care.

These results were tested using OECD indicators for 36 countries, yielding supportive findings. The regression results obtained without using historical, descriptive data for developed countries may also show that an increase in child benefits does not always increase fertility. However, given that increasing female labour supply and fertility are policy goals, ensuring gender-based wage equality is considered a prerequisite for increasing child benefits and, at the same time, increasing fertility (Wang & Xu, 2020).

In Sweden, the design of child benefits was considered important for both women's empowerment and children's well-being. The difference between entitlement to and receipt of benefits was analysed in a study by Swedish researchers in 2023, highlighting an aspect not covered in previous research.

While transfers to families with children have traditionally been directed toward mothers, it has been noted that gender targeting may violate the principles of equality and non-discrimination. Before the reform of 1 March 2014, only mothers in Sweden were eligible for child benefits. After the reform, men also gained the opportunity to receive benefits on a 50/50 basis under certain conditions. The study highlights the need to consider gender issues in policies. It points out that gender-differentiated tax and transfer systems are controversial, other instruments may support mothers, and studying the effects of the reform will require additional time (Lindahl et al., 2023).

In Denmark, the reform of child benefit caps in 2011 (with a reduction for large families with children and an unchanged rate for small families with children) provided an opportunity to study its effects on parental labour force participation. The results show that mothers' labour force participation generally increased. In contrast, fathers' participation was less flexible, although the income effects were not necessarily symmetric (e.g., depending on credit obligations or income changes).

Notably, the economic analysis and interpretation of the Danish child benefit cap were more straightforward than in the case of workplace child benefits (e.g. the EITC in the United States) because the level of child benefits depended on family composition rather than income.

Therefore, the effect of the reform on income is isolated. Mothers in families facing more significant benefit cuts and younger mothers with higher levels of education and relatively lower incomes are considered more responsive to the reforms. At the same time, mothers with the highest incomes are also more likely to increase their labour supply in response to the reforms. Furthermore, even after the reform was repealed in 2012, the effects on mothers' labour supply were permanent (Jensen & Blundell, 2023).

A study of reinstating the income threshold for child benefits in Japan in 2022 shows that, given local conditions, benefit cuts may positively impact women's labour force participation but have a limited impact on improving children's health.

However, the results may vary depending on tax schemes, income thresholds, and factors, such as the increase in the number of children in unaccredited institutions. These findings align with similar studies in other countries, although some differences exist. Research has shown that cuts to child benefits have a growing impact on mothers' employment. It also examines the impact of existing studies on the expansion of children's benefits.

A previous study found that a €2,500 increase in child benefits in Spain reduced maternal employment by 4–6 percentage points (from 48% to 43%), about half of our results. Accordingly, a 2018 study showed that although the increase in childcare benefits increases parental employment, the effect is negligible in Japan. Furthermore, a 2020 study in Germany found that subsidised childcare worth €100 per month had a minimal effect on mothers' return to work over three years (only 1.4 percentage points).

On the contrary, a 2017 study highlighted that the introduction of the Universal Child Benefit in Argentina reduced the employment rate of mothers in households by approximately 25%, regardless of whether the members of those families are unemployed or informally employed (Asakawa & Sasaki, 2022).

The initial literature review suggests that decisions to increase child benefits may have different outcomes and consequences, depending on the local circumstances of each country. Therefore, policy decisions should be made based on the chosen objective for a specific timeframe and periodically reviewed.

3. Methodology.

3.1. Methodological Framework.

The study in the Azerbaijani context employs a mixed-methods approach, utilising quantitative and qualitative data to capture the variety, composition, and range of information. Due to the lack of officially published statistics on childcare benefits in the Republic of Azerbaijan, this analysis relies on budget laws containing indicators reflected in various official audit reports published in recent years and relevant forecast indicators for these benefits.

In connection with the above, it was preferred to approach our statements on the need for a direct increase in childcare benefits while maintaining the standard of living based on mathematical and economic analysis with a current economic assessment.

Considering the macro-level nature of the issue, opportunities to present conclusive arguments are valuable. Therefore, the method was chosen as the primary methodological approach for this study, as it relies on elements such as observations, hypotheses, formulation, theory building, and conclusions. The limitation of the results obtained in the study – namely, that almost no reforms were carried out in the past – reveals the basis for implementing necessary reforms in the regulation of childcare benefits. Therefore, further research is recommended to explore the implementation of these reforms in diverse areas.

3.2. Data Collection.

Data were collected from various sources, including the State Statistical Committee of the Republic of Azerbaijan, national regulations, and national currency exchange rates against foreign currencies, to substantiate the increase in childcare allowances in Azerbaijan.

The need to increase allowances should be evaluated by considering the history of increases mandated by relevant regulations. Expressing these amounts in national and international currencies highlights their financial scale compared to the key socio-economic indicators used at the macro level. The author selected these indicators as essential for understanding the impact of allowances on the country.

An assessment of growth needs was conducted considering the following aspects and relevant data:

- Changes in demographic processes (particularly in the direction of indicating the beginning of the demographic ageing process in the country) and their negative impacts on the social insurance system.

Database: Change in the fertility rate in 1970-2020, indicators of natural population growth in 1935-2023, change in the number of people of working age and retirement age as a share of the total population in 1995-2024.

- The importance of preserving family institutions in the country. Database change in the number of marriages and divorces per thousand people in 1990-2023;

- Comparison with the macro indicators used to determine the quality and standard of living of the population, as well as the comparative role of the family/household budget in consumption expenditures (when necessary, amounts are given in US dollars).

Database: Changes in the amount of benefits for caring for children less than 1.5 years old and fewer than 3 years old in the country in 2016-2024 (according to the adopted figures from relevant presidential orders). Data from the official website of the Central Bank of the Republic of Azerbaijan on the exchange rate of the manat (AZN) against the US dollar on the first working day of each year from 2016 to 2024, the average monthly nominal wage, and the minimum wage (both according to official state statistics) are included.

This also includes relevant laws on the total subsistence minimum in the country, covering non-disabled persons, pensioners, children, and the new per capita need criterion for determining targeted state social assistance for 2025, as well as structural changes in per capita consumer expenditure in households from 2016 to 2023.

- The prism of the decline in the purchasing capacity of incomes against the backdrop of rising consumer prices in the country's economy (here, by applying mathematical economic modelling, the minimum conditional increase indicators of increases in the initial stage are calculated, and by trying to justify the feasibility of implementing increases in a more undifferentiated approach in the initial stage, taking into account the fluctuations of the nominal average wages in the areas of economic activity in the country, with statistical comparisons).

Database: dynamics of the number of childcare benefits in 2016-2024, annual changes in the consumer price index, and nominal wage indicators in the areas of economic activity in the country's economy in 2023.

- Justification of the need for an increase is based on a description of the financial scale of the Fund, which acts as a source of financing social payments to the population within the social insurance system, including insurance-based benefits (benefits for childcare).

Database: GDP indicators for 2016-2024 (official state statistics) and relevant indicators of the approved budget laws of the Fund for these years.

- Description of the financial impacts of problems related to labour market development, especially gender-based employment, considering the role of the social insurance system as a financial base.

Database: The unemployment rate in the country in 2023, official statistics on changes in gender distribution indicators of employment in the country in 2010-2023, female employment indicators by economic activity in 2023, and average monthly nominal wage indicators in some economic activity sectors where women are more engaged in the economy in 2023.

- Considering the current financial scheme of the Fund and unassessed financial capabilities published for the past and current years, as well as the forecasts on the financial burden of benefit increase for 2025 calculated from the point of view that the scale of the financial amount of this benefit is decreasing.

Database: Total social benefits under the budget laws of the Fund from 2016-2024, including childcare benefits, expenditure indicators for the Agency for Sustainable and Operative Social Provision (DOST Agency) under the Ministry of Labor and Social Protection of Population of the Republic of Azerbaijan, and the number of beneficiaries of childcare benefits provided for 2023-2025 in the report of the Chamber of Accounts of the Republic of Azerbaijan on a budget of the Fund for 2025, financing indicators for the DOST Agency expected for the current period by the type composition of insurance-based benefit expenses in 2023-2025.

- A comparative summary of the views on the forms, schemes, and financial scale of childcare benefits at the international level and benefit amount indicators based on the reports of international organisations, and research institutions with an activity profile in the field.

Database: Eurostat's methodological approach to childcare benefits, statistical indicators of family and child benefits in European Union (hereinafter – EU) countries for 2014 and 2021 (published in 2017 and 2024, respectively); the latest available data on various country profiles from the International Social Security Association (hereinafter – ISSA); summarised data on childcare-related allowances for social protection programs for 2022-2023; the World Bank's 2024-2025 income level rankings of the world's countries, announced on 1 July; classification information; official statistics on the number of children in families in Azerbaijan in 2019 (the most recently published indicators); official state statistics on the country's economic and social development; and indicators of the share of cash benefits directed to families in GDP in 2019 for some countries, published by the Organization for Economic Cooperation and Development (OECD).

This benefit level from 2016 to 2024 significantly lags behind other indicators of the standard of living. During the period when individuals receive benefits for partially paid social leave to care for a child, workers in this category do not have the opportunity to receive monthly income in the form of wages and other income they receive during their period of active work. This lack of income is considered an element in assessing the standard of living (Figure 1).

Using collected data on the amount of childcare benefits and the annual growth rate of the consumer price index, a methodological approach based on the cumulative principle can estimate the necessary conditional values of additional payments to childcare benefits. This is achieved using the following conditional formula (1), which provides a general mathematical expression:

$$V_{real.nec.nom.} = \sum_{n=2016}^{2024} (V_n + r_n) \qquad (1)$$

Where, $V_{real.nec.nom.}$ is the real necessary nominal value of child benefit, V_n is the value of the child benefit, r_n is growth rate of the consumer price index.

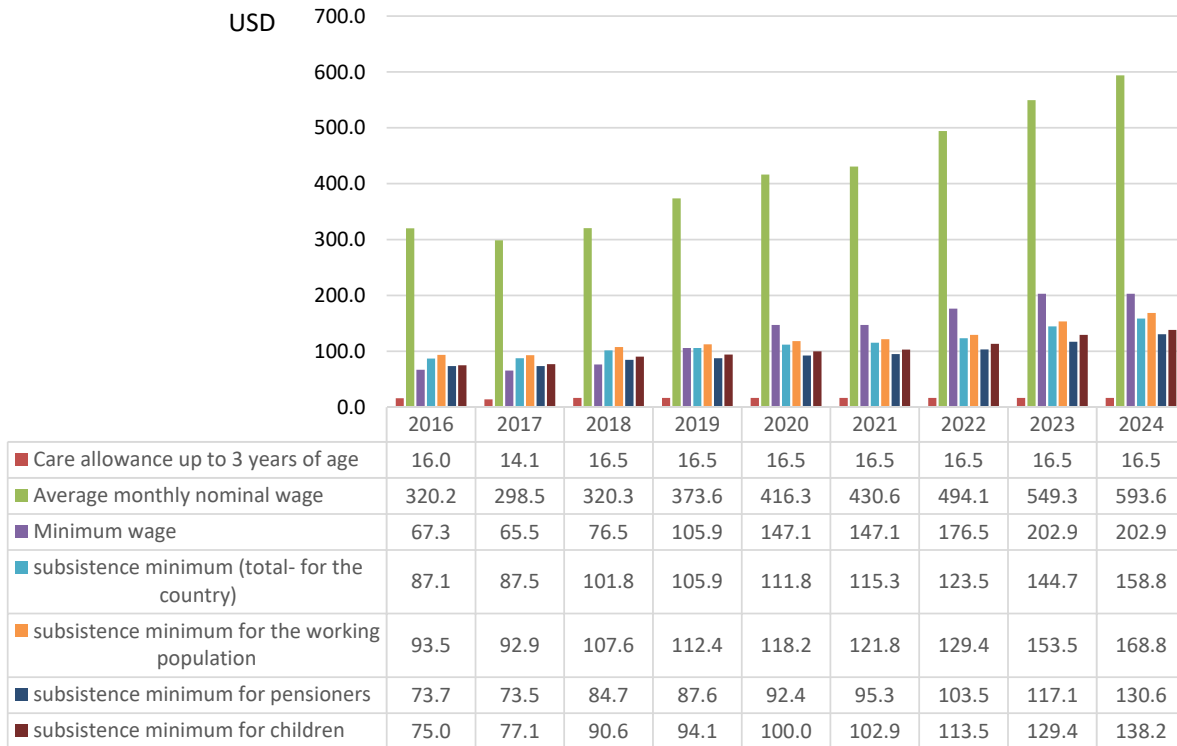|	2016	2017	2018	2019	2020	2021	2022	2023	2024
Care allowance up to 3 years of age	16.0	14.1	16.5	16.5	16.5	16.5	16.5	16.5	16.5
Average monthly nominal wage	320.2	298.5	320.3	373.6	416.3	430.6	494.1	549.3	593.6
Minimum wage	67.3	65.5	76.5	105.9	147.1	147.1	176.5	202.9	202.9
subsistence minimum (total- for the country)	87.1	87.5	101.8	105.9	111.8	115.3	123.5	144.7	158.8
subsistence minimum for the working population	93.5	92.9	107.6	112.4	118.2	121.8	129.4	153.5	168.8
subsistence minimum for pensioners	73.7	73.5	84.7	87.6	92.4	95.3	103.5	117.1	130.6
subsistence minimum for children	75.0	77.1	90.6	94.1	100.0	102.9	113.5	129.4	138.2

Fig.1. Key macro-indicators related to living standards in Azerbaijan for 2016-2024, in USD.

Source: based on the State Statistical Committee of the Republic of Azerbaijan (2024).

Using Formula 1, it was possible to calculate the necessary conditional increases in childcare benefits through a conditional mathematical-economic description:

$$VCB_{(n+1)} = (V_n * r_{n+1}) , n \in [2016;2024] \quad (2)$$

Where, $VCB_{(n+1)}$ represents the calculated real necessary nominal value of child benefit for the upcoming period, r_{n+1} is the recorded annual growth rate of the consumer price index announced at the start of the next period (in %), V_n is the child benefit's most recent (currently available) value of child benefit.

4. Results.

4.1. Socio-economic factors increasing childcare leave benefits in Azerbaijan.

According to the current local legislation in the Republic of Azerbaijan, one parent or another family member directly caring for a child has the right to receive partially paid social leave to care for the child until the child reaches the age of three.

This benefit is provided in two periods: up to 1.5 years and from 1.5 to three years. The benefits are unrelated to income, and the adopted orders increase their amounts, thereby increasing childcare benefits. The chronology of these increases indicates that they have been implemented in recent years at relatively long intervals. The most recent increases were implemented on 1 January 2001 (an increase of 1.8 times, before devaluation to 15,000 manat or approx. 3.15 US dollars); 1 September 2008 (up to 1.5 years - 20 manat or 24.57 US dollars, from 1.5 to 3 years – 10 manat or approx. 12.29 US dollars); 1 September 2013 (up to 1.5 years – 30 manat or approx. 38.25 US dollars, from 1.5 to 3 years – 15 manat or approx. 19.12 US dollars), and 1 January 2016 (up to 1.5 years - 44 manat or approx. 28.19 US dollars, from 1.5 to 3 years – 28 manat or approx. 17.94 US dollars) by the relevant orders adopted for this benefit (President of the Republic of Azerbaijan, 2001; 2008; 2013).

The President of the Republic of Azerbaijan (2016) made the most recent decision regarding the increase in the allowance amount.

From that date, the amount of the monthly allowance was set at 44 manat (or approximately 27.41 US dollars, when the exchange rate of 1 US dollar to the date of 25.01.2016 was 1.6054 AZN), and for caring for a child from one and a half to three years old at 28 manat (or 17.44 US dollars). Currently, the macro-level socioeconomic and management factors that determine the necessity of increasing the benefit of childcare in Azerbaijan can be identified in the following areas:

1. Demographics-based Processes.

Globally, demographic changes that emerging economies' social protection systems increasingly face directly affect insurance and pension systems. The consequences of these global challenges, which have become more dynamic in recent years, are also increasingly evident in our country.These factors include an increase in life expectancy due to improved healthcare and welfare, a higher standard of living, a growing retirement-age population, a decline in the number of marriages, an increase in the average age at marriage, an increase in divorces, and other demographic changes that directly affect the prospects of the social protection system.

Thus, analyses of official statistics show that Azerbaijan has experienced a general declining trend in its total fertility rate since the second half of the last century. The rate averaged 5.2 in the 1970s, 3.7 in the 1980s, 2.7 in the 1990s, 2.4 in the 2000s, 2.27 in the 2010s, and 1.825 in the 2020s. Life expectancy at birth increased from 69.8 years in the 1970s to 76 years today. The natural population growth in Azerbaijan was approximately 10-30 people per 1,000 people until the 1990s, but since the 1990s, as a global trend, it has been accompanied by a downward trend; over the last 4-5 years, it has fallen to the lowest level – five people (the indicators in this direction were officially announced for 1935-2023).

First, by reducing the working age population, these processes may disrupt the favourable balance between retirees and active payers. In the long term, the gradual narrowing of the sources of financing and financial security of the pension system is perceived as a global alarm for all national insurance and pension systems.

In 1995, children aged 0-14 accounted for 32.6 % of the population, and people over 60 accounted for 8.8 %; in 2024, these figures were 21.2 % and 14.9 %, respectively (The State Statistical Committee of the Republic of Azerbaijan, 2024). Increasing the aforementioned allowance in Azerbaijan could have an encouraging effect on social life and population reproduction. This would create additional opportunities for increasing the financial sustainability of the social protection system and expanding population coverage more effectively with insurance-based benefits paid through the insurance-pension system.

2. Protection of Family Institutions.

The social protection system is closely linked to several social processes. Its strategic direction is determined by legislative norms that consider national and moral values. Providing social protection in compensation for lost income to women during temporary absences from work due to childcare can incentivise raising children in a healthy, developing environment and open up additional opportunities for regulating gender issues and the evolution of society's social environment. In 1990, the marriage rate in Azerbaijan was 10.4 number per 1,000 people. While there were 10.4 marriages and 2 divorces per 1,000 people in 1990, there were 5.3 marriages and 2.1 divorces per 1,000 people in 2023, despite continuous population growth during these years.

This is a complex issue that makes assumptions about the occurrence of this trend by looking only at historical changes in statistical indicators or by correlating it with the historical growth dynamics of national income in the country. However, this is not scientifically correct and requires separate research and analysis. Other factors are not directly economic, which also shape the formation of family institutions.

Childcare benefits serve as a factor that fosters this inclination. However, it should be noted that there is a positive correlation between the provision of childcare benefits and an increase in birth rates. For example, in Spain, research has shown that during the period 2000-2017, this benefit led to a significant increase in birth rates and a decrease in the number of abortions (González & Trommlerová, 2023).

However, further studies are required to provide specific opinions about the direct outcomes of childcare allowances on the well-being of the family or children. Based on previous investigations, the results of research conducted in Japan in 2020 show that even in local conditions, these allowances are not spent on a child's education or insurance in the family, but most of them are directed to savings and are not spent on children (Koyama et al., 2020). Therefore, issues may be complex within a country-level context and may be accompanied by varying analytical objectives and results.

3. Dynamic Growth of the Key Standard of Living Indicators.

According to the International Labour Organization (2024), social security standards on family or child benefits should provide minimum child benefits, covering the basic needs of adolescents up to age 15 or school-leaving age. It should be defined at the national level and prescribed by law, applying the principles of non-discrimination, responsiveness to special needs and social inclusion, and ensuring the rights and dignity of children, and launched either based on contributory/ employment-based (three months' contributions or employment) or non-contributory schemes (one year's residence) (International Labour Organization, 2024).

According to the Decree of the President of the Republic of Azerbaijan (2018), the allowance was 40.0, according to the relevant decree issued at the beginning of 2016. Despite the growth in population payments, including benefits and pensions, over the past 8 years, the volume of childcare allowance was increased by only 10%.

Using only one parameter as the ratio of the amount of childcare benefit to the national subsistence minimum, it is theoretically understandable how the welfare situation of beneficiaries of this type of benefit should deteriorate. Thus, as reflected in the chart above (Fig. 1), compared to other important macroeconomic living standards indicators (subsistence minimum) in Azerbaijan, the monthly amount of this benefit has remained relatively low over the years, with almost no observed growth trend.

In 2016, for instance, the maximum share of this benefit (even at the maximum level of 40.0 manat) concerning the subsistence minimum (total for the country – 136.0 manat, which is lower than the subsistence minimum for the working population) was only 29.4 %. Its continuous decrease to 16.29 % by 2024 makes it necessary to consider attempts to increase this benefit at the management level.

Using a different metric to represent the social security loss within a country's family budget could highlight the growing need for this benefit. Analysing the value of household budget structures in nominal terms allows us to demonstrate the economic justification of our approach from another perspective.

According the State Statistical Committee of the Republic of Azerbaijan (2024), the structure of monthly consumer expenditures per capita in households in Azerbaijan was examined: the value of average household consumption expenditures from 2016 to 2023 showed a tendency to increase from 264.7 manat to 348.1 manat in 2023, while the share of food expenditures in the total per capita consumption expenditures for an average household during this period increased from 41.0 % to 44.5 %.

In this context, the breakdown of consumption expenditures in 2023 reveals that social welfare, particularly health-related expenditures, accounted for only 5.1%, education expenditures 1.6%, and recreation and cultural services 3.9%. While the central trend in the structural shift of consumer spending is an increase in the share of food-related expenses, there have been no significant changes in other sectors.

The fact that the benefit for child care, which is at best 44.0 manat, is less than 3.5 times the cost of food consumption alone, which is 154.8 manat, also reveals that this amount is highly ineffective in terms of living standards and highlights the urgent need to increase it.

The primary purpose of partially paid social parental leave is to ensure that the mother can take time off work to care for the child during critical stages of development. However, this type of leave can result in a sharp decrease in household income, especially if the mother's income is the sole source of support.

Optimally regulating work-related situations from an economic and social perspective requires their evaluation as an integral part of managing the social protection system. Conversely, the idea that the nominal value of childcare benefits is low compared to the minimum living wage approved by law for working individuals, pensioners, and children, as the main socio-demographic groups of the population, can be reinforced. Thus, it should be noted that against the background of a more significant increase in the amount of the subsistence minimum for children in the last 3 years (in 2022-2024), it can be seen that the amount of childcare benefits in 2024, at best (44.0 manat), corresponds to only 18.72 % of the subsistence minimum for children.

Other parameters could also be compared, and these approaches sufficiently demonstrate the need to increase the benefit amount. As the state provides financial support for childcare, this benefit is insufficient to provide the purchasing power needed to meet the state-set financial requirements for child maintenance. This "gap" becomes more pronounced yearly as other macroeconomic social welfare indicators rise. It is also argued that because this type of allowance is considered the mother's primary source of income for maintaining social welfare during the specified leave period in Azerbaijan, any reform should sustainably and consistently increase the benefits to a necessary level.

The targeted state social assistance system implemented in the country covers some needs within the 285 manat per capita need criterion (defined by a separate law for 2025). However, childcare benefits fall far short of meeting minimal needs compared to this figure.

4. The Decline in Real Income Purchasing Power Due to Rising Price Indices.

Using the cumulative approach starting in 2016, the necessary conditional growth indicators for the childcare benefit year can be calculated. The benefits amount to 40.0 manat and 25.0 manat, which have been in effect since the end of 2015 and have remained unchanged. Over the past 5 years, the allowance for childcare under 1.5 years has increased by an average of only 10 %. For children aged 1.5–3 years, the increase was 12 %. It was estimated that by an average of 11 %. Based on Table 1, considering inflation rates only for 2016-2024, it can be concluded that the childcare allowance for children up to 1.5 years old was not increased to the required minimum level of 29.23 manat and even depreciated in purchasing power. The childcare allowance for children from 1.5 to 3 years old, at 18.31 manat, also suffered a significant loss of value in real purchasing power. Thus, the amount limit (approximately 70.0 manat and 44.0 manat, respectively, due to 0-1.5- and 1.5-3-years child) is conditionally considered necessary to increase by the end of 2024.

Table 1. Minimum required growth of childcare benefits based on the consumer price index.

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Recorded annual growth rate of the consumer price index - r_n (announced in % at the beginning of year)	4.0	12.4	5.7	3.0	2.6	2.8	3.4	14.7	11.2
Nominal amount of childcare alllowance, in manat (for care up to 1.5 years) old (in relevant year)	40.0	40.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0
Calculated real necessary nominal value of the childcare benefit to the beginning of year – V_{real} , in manat (related to care up to 1.5 years old)	**41.6**	**46.8**	**49.4**	**50.9**	**52.2**	**53.7**	**55.53**	**63.69**	**70.83**
Nominal amount of childcare alllowance, in manat (for care up to 1.5-3 years) old (in relevant year)	25.0	25.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
Calculated necessary nominal value of the childcare benefit to the beginning of the year, in manat (related to care up to 1.5-3 years old)	**26.0**	**29.2**	**30.9**	**31.8**	**32.6**	**33.6**	**34.74**	**39.85**	**44.31**

Source: based on the State Statistical Committee of the Republic of Azerbaijan (2024).

Even considering inflation, it is still relatively low compared to the macroeconomic parameters of welfare importance, such as household monthly consumption per capita and children's living wage. This will create an even more difficult situation using a similar approach, compared to the 28.0 manat paid for childcare between the ages of 1.5 and 3.

Therefore, making a prospective decision to increase the benefit amount by at least two times on the agenda is considered fully justified.

Simultaneously, it would be beneficial to eliminate the practice of applying benefit amounts that differ by a factor of 1.57 for the same child in this type of benefit. Even if this approach is intended to stimulate the employee (mother) to return to work, as discussed previously, it should not be considered a fair trend from social and economic perspectives.

From an economic perspective, applying this consideration in varying amounts based on different criteria is acceptable. When considering disparities in regional and sectoral population incomes as a criterion, it becomes possible to apply different amounts to the same child during the care period.

However, based on official statistics, this measure was not considered necessary or significant during the initial reform period, given the income disparities among wage earners in Azerbaijan. Simultaneously, considering the financing possibilities of such a reform (funded by the Fund's budget and not from any other source or state budget), the implementation of additional technological solutions will emerge as a separate problem. These solutions would provide access to specific data based on contingent numbers corresponding to wage differentiation, enabling forecast calculations. However, this approach will inevitably create new difficulties regarding the financial sustainability of the state social insurance system because wages fluctuate sharply in some areas of economic activity.

Thus, official indicators on economic activity in 2023 show sharp wage differences between areas. The average monthly nominal wage and salary in 2023 was 933.9 manat for the economy as a whole. This included 3,350.6 manat in mining, 2,327.2 manat in financial and insurance activities, 1,573.2 manat in professional, research, and technical activities, 1,509.9 manat in information and communication, 1,357.2 manat in public administration and defence; social security, 1,278.5 manat in transportation and storage, and 1,060.4 manat in construction.

Other sectors had the following wages: 965.5 manat in electricity, gas, and steam production, distribution, and supply, 910.9 manat in real estate activities, 840.8 manat in manufacturing, and 804.4 manat in human health and social work activities. In contrast, wages in accommodation and food service activities were 723.9 manat, in art, entertainment, and recreation 719.5 manat, in education 712.6 manat, in water supply and waste treatment 711.5 manat, in trade and repair of transport means 632.1 manat, in administrative and support service activities in agriculture 568.4 manat, and forestry and fishing 558.7 manat.

The history of applications for this benefit suggests that no fundamental reform has been implemented in Azerbaijan regarding this benefit.

Considering these issues, it seems more appropriate to apply a general, undifferentiated (or with a minimal number of criteria) benefit in the initial stage but in a higher amount that could play a role in the family (household) budget.

In addition to the above, making a small comparison in terms of international exchange rates using the US dollar as an example, it can already be seen that the size of this benefit, which was last determined in 2016, has lost its value. At that time, the benefit amount given in US dollars was 27.41 US dollars and 17.44 US dollars, depending on the age limit. However, due to the depreciation of the manat, today, this amount is worth 25.88 manat and 16.47 US dollars, respectively (at an exchange rate of 1 US dollar to 1.70 manat).

5. Financial Management of Pensions and Benefits (including Child Care) by the State Social Protection Fund.

The Fund has continuously grown revenues from mandatory state social insurance contributions. These contributions are considered the main income of the relevant legislation.

The Fund also reflected the increase in its expenses, including insurance-based benefits. The primary goal was to increase population welfare. However, recent reform measures reduced state budget funds that should have been transferred to the Fund to balance expenses. This was because they were not required in full and were met at the expense of reserves formed from social insurance contributions. Nevertheless, implementing appropriate reform measures regarding childcare benefits has remained outside the positive perceptions already established among the population concerning the evolution of the social protection system.

General economic development often increases the size of mandatory state social insurance funds and their associated revenues and expenditures, including pension and benefit payments. Table 2 provides information about the Fund's current financial capacity and its role in financing social payments to the population, including pensions and benefits.

Due to 2025, approximately 96.5 % of the total budget expenditures of the Fund are payments to the population, covering pension and insurance-based social benefits, and 1.9 % are expenses for the maintenance of the Fund (Ministry of Justice of the Republic of Azerbaijan, 2025). Currently, the budget of the Fund, determined by a separate law, is approximately 96.5 % of the budget expenditures of the Fund, which includes pension and insurance-based social benefits payment expenses to the population, and 1.9 % are expenses for the Fund's maintenance.

The remaining expenses are allocated to other areas, including 0.35% for sanatorium-resort treatment and rehabilitation measures for insured persons through the Azerbaijan Trade Union Confederation (2024) and 1.13% for co-financing activities related to social services. Additional expenses include costs for conducting banking transactions on pensions, benefits, and other service fees and 0.001% for membership fees to international organisations.

Table 2. Some aspects of the Fund's financial scale indicators.

	2016	2019	2020	2022	2023	2024
GDP, in million manat	60425.2	81896.2	72578.1	133825.8	123005.5	126337.0
Fund's income from premiums paid for mandatory state social insurance, in million manat	2055.0	2769.4	3392.6	4361.7	4783.6	5478.1
Expenditures of the Fund on payments to the population, in million manat	3238.95	4020.44	4644.759	5431.199	6077.58	6706.58
Share of the Fund's payments to the population (pensions and insurance-based benefits) in GDP	5.4	4.9	6.4	4.1	4.9	5.3
Share of income from social insurance contributions in payment expenses to the population	63.4	68.9	73.0	80.3	78.7	81.7

Source: based on the Ministry of Justice of the Republic of Azerbaijan (2025); the State Statistical Committee of the Republic of Azerbaijan (2024).

The share of childcare benefits in payment expenses to the population is only 0.14 %, and their share in the total benefit expenses is 5.1 %.

Therefore, the share of childcare benefits to the GDP in Azerbaijan is immeasurably less than 0.01 %.

6. Labour Market Development and Strengthening the Pension Financial Base.

A positive view of approaches to increasing childcare benefits also encompasses the possibility of influencing the development of the labour market within the country.

This can lead to increased productivity, competitive product production, and reduced production costs due to increased labour supply. Ultimately, it can contribute to the production of competitive domestic products and the growth of gross domestic products (Frey et al., 2024).

This issue also acts as a key factor shaping the functioning and financial potential of social protection systems. Currently, gender-based issues exist within the country concerning the triad of "labour market development", "employment", and "financing of the social protection system". These issues have implications for economic expansion, and consequently, the financial potential of social protection.

Some recent studies also highlight that women feel less well covered in social protection globally than men, which is also linked to gender-based importance (Frey et al., 2024).

Even within the Organization for Economic Cooperation and Development (OECD, 2023), which includes developed economies, despite progress in addressing gender-based issues in social protection

programs, it is a reality that women and girls face difficulties in social and economic life compared with men. This is reflected in education, employment, entrepreneurship, lost opportunities for job creation, economic growth and innovation, and overall economic development (OECD, 2023).

Currently, in Azerbaijan, childcare benefits are directly linked to labour activities. According to the latest official statistics released in 2023, the unemployment rate in Azerbaijan was 5.5 %.

Policy goals at the country level may differ in terms of whether these benefits are aimed at the participation of more women in the labour market or encourage women to take care of their children to the best of their ability (Daly & Clavero, 2002).

Economic policy will likely approach these goals in both directions by increasing benefits in Azerbaijan. A preliminary analysis of official employment statistics from 2010 to 2023 shows that, although the share of women in total employment in the country does not appear problematic at first glance, the share of women's employment has decreased over the past 13 years (Figure 2).
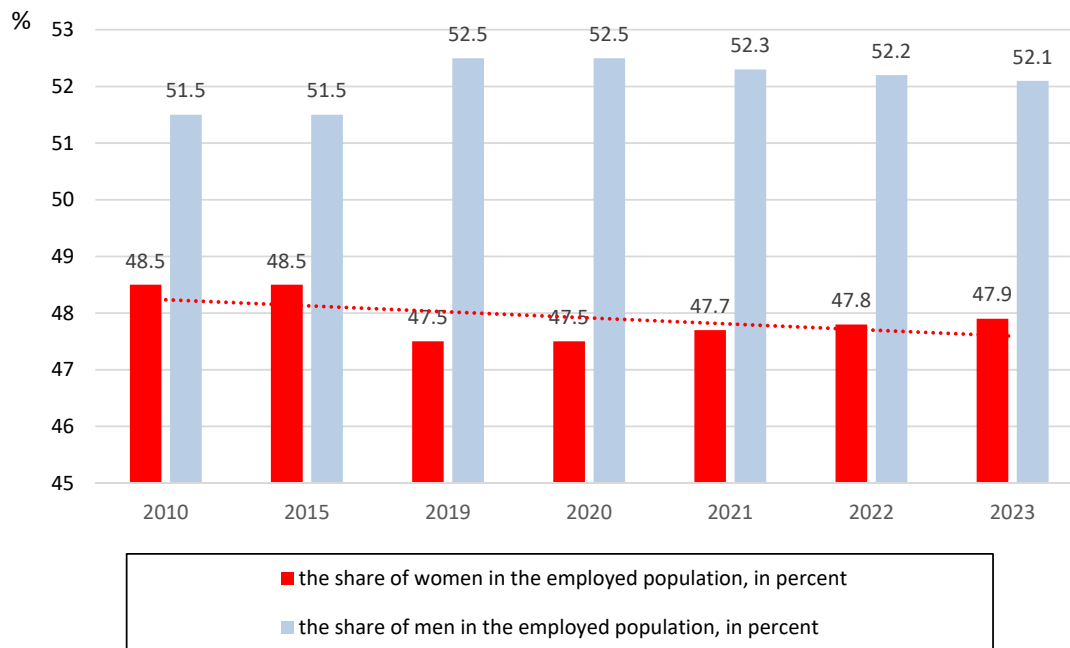

Fig. 2. Gender distribution of employment in Azerbaijan in 2010-2023, in%.

Source: based on the State Statistical Committee of the Republic of Azerbaijan (2024).

However, the imbalance in the regional and sectoral distribution of female employment has a noticeable specificity. Although this can be attributed, in some cases, to socio-moral views on women's involvement in labour activities in Azerbaijan, it is mainly due to relatively lower wages in specific production and service sectors. These include fruit and vegetable growth, weaving, knitting, and canning industries, where women's labour is naturally needed and provides temporary employment, and sectors where women are more inclined to work, such as education and healthcare. At the end of 2023, the indicators show that 50.9% of women employed in Azerbaijan are engaged in education and providing health and social services to the population (including education, 34.7%; health and social services to the population, 16.2%).

The next most significant share of women's employment is traded (13.0%), repairs of vehicles (4.8 %), manufacturing industry (4.6%), recreation, entertainment, and art (4.2%), public administration and defence, social security (4.0%), research, technical activities, and other economic activities. Some areas have significant employment potential for women. An analysis of female employment distribution shows that this gender potential is not being used to a sufficient extent: financial and insurance activities 2.0%; administrative and support services 3.8%; processing industry as well as agriculture, forestry, and fishing 1.9%; tourist accommodation and public catering 1.9%; and information and communication 1.4%. Another issue that negatively affects women's employment in these sectors is the gap between the average monthly nominal wages of women and men.

On the indicators of economic activity and gender in 2023, women's average monthly nominal wage is 68.8% of the average monthly nominal wage of men in the country (varying from 51.6% to 86.2% by activity). Even in the field of education, where women are more represented, this share is 86.2%. In addition, the presence of sharp fluctuations in some cases between the average monthly nominal wage levels in economic sectors does not exclude the possibility of disincentives for women to join the labour market in certain sectors.

In 2023, the average monthly nominal wage across all sectors of the country's economy amounted to 933.9 manat. For example, while the average monthly nominal wage in the mining sector, where the highest wage level was 3,350.6 manat, in the education sector, this indicator was only 712.6 manat or approximately 4.7 times less. In the sector where women are more prevalent (providing health and social services), this indicator reaches 804.4 manat, approximately 4.2 times higher than in the mining sector.

7. Financial and Legal Grounds for Increasing Childcare Benefits.

The fact that the financial source for financing the benefit provided for childcare is part of the social insurance reserve (Constitutional Court of the Republic of Azerbaijan, 2010) and that the Fund has a relatively sizeable financial potential indicates that the Fund has sufficient financial opportunities to increase the benefit.

It is especially notable that as a result of amendments included in the law (Ministry of Justice of the Republic of Azerbaijan, 2017) for differentiation of obligations of the pension provision system by having insurance and non-insurance character, the concepts of management costs and social insurance reserve were introduced. Management costs encompass expenses related to managing the compulsory state social insurance system, including individual accounting, labour pensions, and other social payments. These costs are capped at 2.5% of the mandatory premiums paid by insured individuals. The excess portion of the aforementioned items is the confirmed costs.

However, the remainder, which has not been used, is an integral part of the social insurance reserve. The social insurance reserve is the amount remaining after deducting the portion of the mandatory premiums paid that is diverted to the insurance part of (individual) personal accounts of the insured' and management costs. This section aims to increase labour pensions to the minimum established by this law and to finance expenses related to insurance-based benefits and other payments. At the same time, 90 % of paid contributions are registered (accumulated) in individual accounts (it was 50 %).

Additionally 2.5 % of paid mandatory state social contributions constitute the administrative costs within the insurance pension system. The remaining 7.5 % (after deducting administrative costs) is allocated to financing social benefits, which are financed by mandatory state social contributions as required by law, including childcare benefits and the delivery costs of pensions and other social benefits. If childcare benefit amounts are increased, the additional financial burden could be financed by adjusting the share of contributions from the sources outlined in the following scheme (Figure 3). The first theoretical option would be to use the Fund's budget as the sole financial source.

In this context, using a 90 % or 2.5 % proportion as a financial source to increase childcare benefits is more appropriate. However, using a 90 % portion requires approaches and calculations to measure the financial impacts based on the individual accounting system's basic data, given that the insurance-pension system is single-tier and based on the principle of solidarity. This approach also conditions future financial expenditure obligations in the pension system.

The (second) option is to use insurance reserves, which cannot be considered appropriate because it requires a current assessment of the reserve. This is problematic regarding long-term financial sustainability in a system in which pension payments that do not have an insurance basis remain part of the Azerbaijani model. In such a case, it can be considered a suitable (third) way to take advantage of the savings that will be generated through more efficient use of the Fund's maintenance costs, which are more accessible and within subjective possibilities as a source of financing for increasing the benefit while also being favourable in terms of financial efficiency.

In this sense, revising the distribution thresholds – increasing the threshold by 7.5% and decreasing it by 2.5 % – between the components of the dependency relationship described in the following scheme for the distribution of collected premiums could enable this goal. For example, this revision would allow savings generated from management costs to be used to finance an increase in the benefit in question, which could enable this goal (Figure 3).
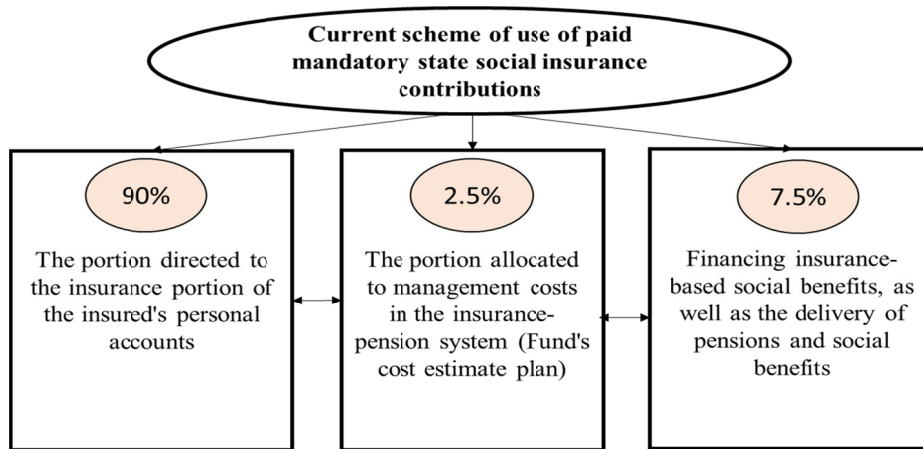

Fig. 3. Possible financing sources for increasing childcare benefits within the existing social insurance framework.

8. Necessary Grounds for the Increase from the Perspective of Forecasting.

All the above-mentioned grounds and the results of forecast calculations indicate the necessity of increasing childcare allowance for those on partially paid social leave.

Based on the current benefits volume, the Fund manages funds through medium-term forecasting. The proposed increase would raise the benefit from 44.0 manat to 70.0 manat for children under 1.5 years and from 28.0 manat to 44.0 manat for children aged 1.5 to 3 years.

This adjustment is fully justified from both theoretical and analytical perspectives.

The expected expenses related to this increase can be financed the following year, with the potential for further increases in subsequent periods. Thus, the planned increase can be considered another progressive reform measure, exceeding economic indicators calculated in many cases. However, while monthly amounts have remained unchanged when considering budget indicators in recent years, an idea is formed about a trend towards a decrease in spending in this direction. The financial framework indicators envisaged for this benefit between 2016 and 2024 also further reinforce the need to increase its financial capacity (Figure 4). Thus, the planned increase can be considered another progressive reform measure, often exceeding the indicators calculated based on economic factors. Because this benefit is determined by fixed amounts through administrative decisions, its cost and financial need depend more on submitted applications.
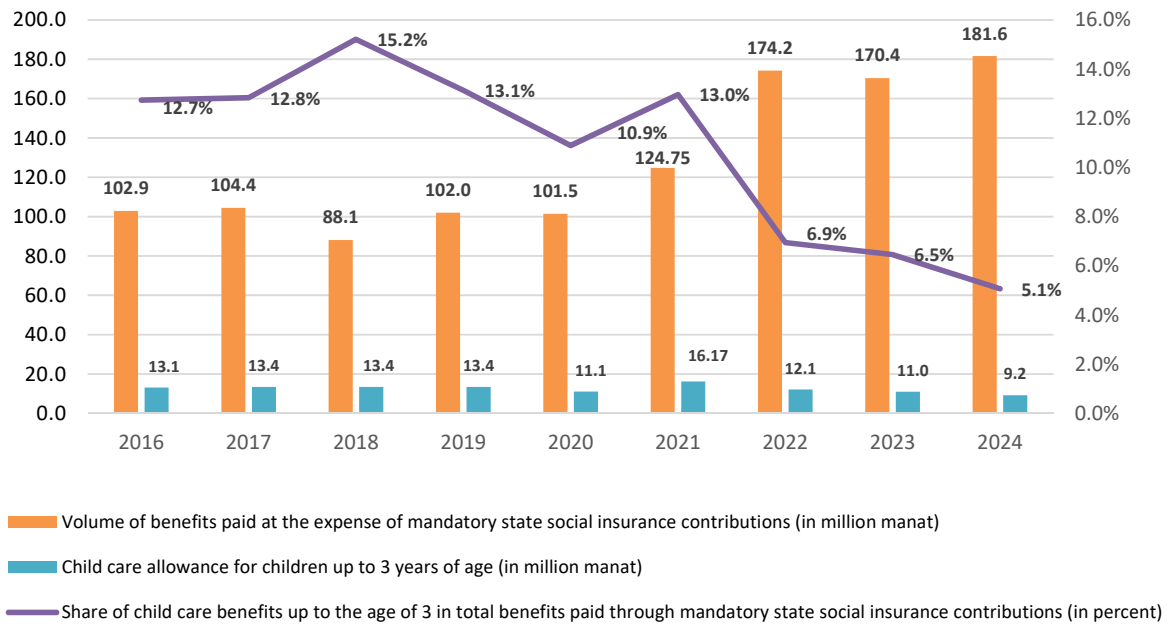

Fig. 4. Share of childcare benefits (up to 3 years) in total benefits paid through mandatory state social insurance contributions in Azerbaijan (2016-2024), %.

Source: based on the Ministry of Justice of the Republic of Azerbaijan (2025).

Along with socio-demographic events and trends, the potential for error in forecasting can also be considered a key factor. It is worth noting that although the forecast for childcare benefits was prepared in 2022, the relevant law on the Fund's budget for 2023 was set at 11.0 million manat. However, the execution indicator for that year was 7.8 million manat.

Based on the data prepared from the draft budget of the Fund for 2025, obtained by the Chamber of Accounts of the Republic of Azerbaijan (2024), the country's supreme audit authority, the number of beneficiaries of this benefit in 2023 was 24,140. The forecast for 2024 is 25,660, with a 6-month figure of 19,190, and the forecast for 2025 is 24,599.

This indicates that this benefit does not create a financial burden on the budget.

It should be noted that with this financial burden, based on the budget law figures of the Fund adopted for 2023 in 2022, it can be calculated that, in 2023, the expenditure on the said benefit will constitute only approximately 0.18 % of the total expenditure of the Fund.

In this case, taking the projected number of beneficiaries for 2025 (Chamber of Accounts of the Republic of Azerbaijan, 2024) as the only source of information for the calculation, we also use the forecasted and legally accepted costs for 2025 regarding child care up to the age of 3, which amount to 10.0 million manat (Table 3).

Additionally, considering that the existing benefit amounts by age ranges (28.0 and 44.0 manat) are conditionally applied to an equal number of beneficiaries, and that the initial necessary increase for both amounts will be 57% and 59%, respectively, we can calculate the additional financial burden that will arise in the event of an increase in the benefit amount, which is 15.8 million manat.

That means the decision on the increase will require approximately 5.8 million manat in addition to the estimated cost indicator for 2025. This increase of 5.8 million corresponds to 0.07% of the Fund's total budget expenditures. The maintenance costs of the Fund for 2025 were determined to be 149.37 million manat. In ranking the Fund's expenses, payments to the population are the third-most cost-intensive expense direction. This comes after the maintenance costs of the Fund public legal entity itself and the costs of co-financing the activities of the DOST Agency to organise social services for the population. The expenses for conducting banking transactions on pensions and benefits amounted to 87.04 million manat.

According to Chamber of Accounts of the Republic of Azerbaijan (2024), 50.0 million manat (57.4%) of the expenses will be directed to financing the DOST Agency, and 37.04 million manat (42.6%) will be directed to financing the costs of conducting banking transactions on pensions and benefits. The expenses for financing DOST Agency amounted to 35.0 million manat in 2023 and 45.0 million manat in the current year.

The expenses had a growth rate of 28.6% in the current year compared to the previous year and 11.1% according to the forecast for the next year (Chamber of Accounts of the Republic of Azerbaijan, 2024). The costs of maintaining the Fund and the funds allocated for co-financing the DOST from the Fund's budget have increased annually.

These indicators show that a more rational approach to the funds allocated to the DOST Agency could cover the financial burden of increased benefits in one instance. Thus, the Fund has sufficient financial resources to increase childcare benefits, at least by the amounts we have proposed, and it may even be possible to consider different increases.

Current demographic trends, including the continued decrease in children born in recent years, significantly impact the expenditure composition of insurance-based social benefits. However, its negligible and lowest financial scale among the total social insurance-based benefits (4.79% in 2023, 5.07% in 2024, and 5.04% in 2025) reveals the need to increase this benefit from a different perspective.

Although a growth dynamic is expected in the total expenditure on insurance-based benefits in the following years, an adequate increase in expenditure on childcare benefits is not observed within this amount (Table 3). Thus, in the current situation, the analysis results above give reason to say that there is necessary importance and sufficient financial resources to raise the amount of childcare benefits.

Table 3. Social benefits within the state social insurance system (insurance-based benefits), in million manat.

№	Indicators	2023 (fact)	2024 (forecast)	2024 (expected)	2025 (forecast)
1	Benefits from mandatory state social insurance contributions, total	163.0	181.6	181.6	198.4
1.1.	Due to temporary loss of working capacity	38.0	43.7	43.7	48.4
1.2.	due to pregnancy and childbirth	54.2	57.0	57.0	65.0
1.3.	because of the birth of the child	31.5	34.5	34.5	35.0
1.4.	Regarding the care of children up to the age of 3	7.8	9.2	9.2	10.0
1.5.	for burial	31.5	37.2	37.2	40.0

Source: based on Chamber of Accounts of the Republic of Azerbaijan (2024).

4.2. Key Features of International Childcare Benefits.

A systematic literature review of the causal relationship between household financial resources and broader child outcomes found that household financial resources substantially impact children's cognitive, social-behavioural, health, and educational outcomes. This review highlighted that childcare benefits provided to families also improve the living conditions of these children, helping them move away from situations such as renting, which is considered effective in shaping a healthier future (Cooper & Stewart, 2021). In international terminology, state-provided benefits to support children, regardless of their funding source or intended local (country-level) applications, are referred to as "child payments", "child allowances", "child benefit", "family payments", "family allowances", or "family benefits".

However, it should be noted that these concepts do not fully coincide with the composition of childcare benefits applied in Azerbaijan. In Azerbaijan, a child's age and residency status are not considered when providing childcare benefits. Additionally, childcare benefits are directly linked to active labour market participation. In European practice, the concept of "family/children benefits" also includes payments made to families in the form of other social transfers related to children – for pregnancy, childbirth, and other payments –which, in many cases, create another problematic situation when conducting comprehensive comparisons.

According to Eurostat methodology, family/child benefits are divided into three components: periodic cash transfers (income maintenance in the event of childbirth, parental leave benefits, family/child allowances, and other periodic benefits), lump-sum cash benefits (birth grants, parental leave benefits, other lump-sum benefits), and benefits in kind (such as child day-care and accommodation) (Eurostat, 2024). Family allowance programs are implemented in three ways: universal, work-related, and social assistance-focused. The universal approach provides a single financial resource to individuals regardless of income, generally based on citizenship or residency and financed mainly from the state budget.

The work-based approach involves amounts paid to families directly linked to employment, financed by insurance premiums paid by employees and employers, and sometimes supplemented by state subsidies.

On the other hand, the assistance-based approach focuses primarily on improving families' financial well-being. However, critics argue that it can inadvertently contribute to poverty by prioritising childcare as its main criterion (Kaynakçi & Öztepe, 2021). In this sense, the model applied in Azerbaijan corresponds to some extent to the second approach related to labour activity (working-based).

However, considering the wages' not progressively diversified nature and the common perception within the country model of this allowance, the third method has emerged as a universal approach, except for the distinction of its financing source. This situation precluded reforming the Azerbaijani model to provide childcare benefits.

It should be noted that at the international level, the provision of childcare benefits varies primarily according to regional economic development levels. However, high economic development does not always translate into a high level of financial security for families, enabling them to care for their children and meet their needs for comprehensive development.

This is directly related to the organisation's effectiveness and implementation of the socio-financial support programs discussed within the social protection system. Therefore, financial security is one of the most effective mechanisms for combating poverty in families with children, where employment, particularly that of women, is considered essential (Esping-Andersen, 2002).

Child poverty is a problem linked to labour productivity. The links between the availability of childcare services and labour force participation, fertility rates, and social inclusion are considered precise (Plantenga et al., 2009). According to a 2008 study on child poverty in 12 OECD countries, although involving parents in the labour market has a more significant impact on combating child poverty, it is not the only way to eliminate it.

It is considered acceptable that the problems in this direction are eliminated by the effect of transfers provided by the government to families in the form of payments (Chen & Corak, 2008). Therefore, it is essential to take increasingly important initiatives in this direction as a stimulating factor in accelerating economic development and expanding state financial resources.

It is possible to encounter experiences that differ in different country models in which birth, maternity (paternity), parental leave, childcare benefits related to childcare are provided, and other benefits related to childcare. The primary funding sources for these benefits are mainly the state budget or social insurance funds, sometimes unemployment insurance funds within the framework of the employment insurance scheme, and employer payments. An established insurance record is also crucial in receiving these types of benefits. However, different special programs are envisaged in different countries to support raising children.

1. Poland is economically lagging behind the Western European region and has a large population and economic potential. Despite being located in the Eastern European region, attracts attention due to the wide variety of monthly childcare benefits established by the state.

Here, the state has fully assumed the financing of the implementation of these targeted programs, and it is possible to see that the provision is not limited to standard benefits related to childcare but also includes supplements to support their education, nutrition, and additional payments in the case of more children. As of 1 July 2023, the national average monthly earnings were 7,005.76 zlotys. The monthly allowance for the "Child-raising benefit" program, paid for each child under 18 years of age, amounts to 500 zlotys (increasing to 800 zlotys in 2024).

This represents 11.42% of the average monthly earnings. For the "Family care capital" program, the allowance is 500 zlotys per month (if paid over 24 months) or 1,000 zlotys per month (if paid over 12 months).

Using a maximum of 1,000 zlotys constitutes 14.27% of the average earnings.

The combined share of these two allowances is 25.69% (International Social Security Association, 2024a). According to the International Social Security Association (2024a), which includes 190 member countries (2022–2023), the organisational and financial framework for providing childcare benefits in some selected countries was identified.

This analysis is based on several benchmarks and compared to the situation in Azerbaijan (International Social Security Association, 2024a; Metreau et al., 2024; Sawulski, 2017).

Poland is a high-income country attracting attention for its economic growth in Eastern Europe, with possible similarities to the former political-social structure. It is also one of the countries with a large regional labour force and has sufficient depth and mobility in its social protection policies in Eastern Europe.

The share of social expenditures in GDP compared to Central and Eastern Europe, it is considered a welfare state, although it lags behind wealthier Western European countries. Main characteristics of the child benefit system: (1) child-raising benefit (CRB) and family care capital (FCC); (2) residents of the country; (3) universal and social assistance system; (4) government: the total cost; (5) for CRB: paid for each child younger than age 18; for FCC: paid for the second and each additional child aged 12 to 35 months in a family; (6) Flat-rate amount; (7) for CRB: 500 zlotys a month (increasing to 800 zlotys a month in January 2024) is provided for each eligible child; for FCC: 500 zlotys a month (over 24 months) or 1,000 zlotys a month (over 12 months) for each child eligible (the insured may change the monthly amount/benefit duration once); (8) ad hoc adjustments; (9) age restrictions apply.

2. Azerbaijan (upper-middle-income country by World Bank Group classification) has the following characteristics: (1) childcare benefits; (2) coverage, employed women, type of program; (3) social insurance; source of funding; (4) contributions of the insured person, self-employed person, employer; qualifying conditions; (5) paid for children up to three years; (6) flat-rate amount; (7) benefit adjustments; (8) benefit duration (9) Age restrictions apply.

3. Uzbekistan. A lower-middle income country, but a country attracting attention with increasing structural reforms in the Central Asia region, having the largest population in the European area: (1) young child allowance; (2) employed and self-employed; (3) social insurance; (4) employed and self-employed persons; (5) paid for children younger than age 2; (6) flat-rate amount; (7) income-tested (excluding single-parent families/and families with minimum one disabled child for whom the amount calculated 200% of the minimum monthly wage, without regard to number of children; (8) age restrictions apply.

4. Georgia. As a neighbouring upper-middle-income country with similar socio-moral stereotypes arising from shared historical affinities, being one of the leading partners of Azerbaijan in terms of political and especially economic relations, and having living standards similar to those of Azerbaijan: (1) child allowance (universal) plus on targeted/social assistance based family allowances; (2) government: the total cost; (3) child allowance (universal): families in specific regions are paid per live birth. Child allowance: 100 lari/month for the first two children (up to 12 months); 200 lari/month for the third and subsequent children (up to 2 years); (4) flat-rate amount; (5) family allowance (targeted): paid to needy families based on a family rating system considering assets, income, benefits, consumption, and household conditions (e.g. elderly or disabled members). Family allowance: 60 lari/month for families with up to 30,000 points, decreasing to 30 lari/month for families with 60,001-65,000 points; 100 lari (150 lari from June 2022) for every child up to 16 years old with up to 120,000 points; (6) The family allowance continues as long as the conditions are met.

5. Türkiye. An upper-middle-income country and a neighbouring partner with shared ethnic roots, similar social-moral values, and strong political, cultural, and economic ties to Azerbaijan, often referencing the Turkish model for reforms and possessing a large labour force in Europe: (1) There is no program regarding employment-based or universal childcare in the framework of family allowances.

6. Portugal. A high-income country that has social spending as a share of GDP around the EU average level: (1) family allowances includes family assistance (social assistance) combined with minimum income; (2) citizens of Portugal, foreign citizens, refugees, and noncitizen residents of Portugal; (3) social insurance and social assistance system; (4) the government pays the total cost; (5) paid for children who are not in an employment relationship up to the age of 16 (or up to the age of 24 if they are studying, or up to the age of 27 if they are studying and have a disability); (6) suppose the family income is up to 50% of the monthly social benefit. In that case, the benefit is assigned depending on the age of the children, the composition of the family and its income (on 1 July 2023 €480.43) multiplied by 14 (income group I), €161.03 per month is paid for each child for up to 36 months (the benefit is paid for up to 72 months depending on income, divided into four groups); and (7) legally mandated; (8) as long as qualifying conditions are fulfilled.

A cross-country analysis of the composition of childcare benefits in individual countries revealed similarities in their purposes. However, there are no uniform approaches at the international level in terms of the conditions. Methodological approaches vary depending on the local socio-economic conditions and objectives defined within the social protection framework. In some cases, the sources of financing are entirely state budget funds, and the objectives contain localised tendencies in benefit provision.

5. Discussion.

These observations from various literature and international reports show that countries can be classified according to differences in the financing conditions for child/family benefits: universal tax-financed (social assistance) child benefit (qUCB/short-term) / social assistance child transfers with some level of means testing/a combination of contributory and social assistance means-tested/on contributory schemes only/no child/family benefit schemes are implemented worldwide (ODI Global Advisory, 2024; Overseas Development Institute, 2024).

The differences are also reflected in the share of these benefits in GDP. It should be noted that expenditures for child benefit packages account for an average of 1.7% of GDP in low-income countries and 0.4% in high-income countries (Bastagli et al., 2020). It is important to consider the differences in the scope and size of childcare benefits or the specific forms of this type of support in different countries. In the Federal Republic of Germany, which is distinguished by a higher level of social protection at all times, a childcare allowance called "child benefit" is paid to all dependent children until the children reach the age of 18, to those in education until the age of 25, and to unemployed persons up to the age of 21, regardless of their income. From January 2023, this benefit will be 250 euros per month for each child, and child benefits are paid in addition to child benefits (Official Website of Berlin, 2025).

Currently, employees in South Korea can use a 1-year care leave period to raise their children. During this period, they are paid a monthly allowance of 40% of their salary from the employment insurance fund (Park & Cho, 2019).In the last three years, Denmark, Poland, Slovakia, and Spain have implemented reforms aimed at reducing child poverty and social exclusion, as well as reducing the financial burden on pregnant women and families. For example, in Spain, as part of the Minimum Living Income reforms, a child benefit supplement will be introduced in 2022, providing beneficiaries with a monthly child benefit supplement of 115 euros for children aged 2 and under, 80.50 euros for children aged 3 to 6, and 57.50 euros for children aged 7 to 17 (The International Social Security Association, 2024b).

According to data released by Eurostat in 2017, in 2014, in the EU, more than €330 billion was spent on benefits for family/child care, accounting for 8.6% of overall social benefits, making the "Family and children" function the third largest after "Old age and survivors" (45.9%) and "Sickness, health and disability" (36.5%) (Eurostat, 2017).

However, the share of this benefit has increased over time. According to Eurostat (2024), in 2021, the EU spent €347 billion on family and child benefits, or 2.4% of GDP.

The spending on family/child benefits was 8.3% of all social benefit spending in 2021 in the EU. EU expenditure on family/child benefits rose by 51.2% in real terms between 2000 and 2021, despite a decline of 8.0% in the number of children under 18. The level of expenditure varied to different degrees across EU countries: e.g., 3.6% of GDP in Germany, 3.4% in Poland, and 0.9% in Malta. In 2021, a significant part of the expenditure on family/child benefits in the EU (59.4%) was paid periodically in cash, 38.5% in kind, and a relatively small part (2.1%) in the form of lump-sum cash benefits (Eurostat, 2024).

Luxembourg and Ireland recorded the highest shares of family/child benefits. The relative importance of family and child benefits varies among Member States. This share of the total social benefits was approximately 15.6% in Luxembourg, 13.1% in Ireland, 11.9% in Hungary, 3.1% in the Netherlands, 4.6% in Portugal, and 4.4% in Greece. Differences in birth rates and relative number of young people may influence these shares.

Expenditures per resident exceeded €1,000 in several countries, including Luxembourg (€3,090), Denmark (€1,668), Sweden (€1,368), Finland (€1,212), Germany (€1,132), Austria (€1,071), and Ireland (€1,060). On the other end of the scale, expenditures were below €200 per resident in countries such as Portugal (€195), Greece (€182), Poland (€166), Croatia (€155), Latvia (€154), Lithuania (€135), Bulgaria (€112), and Romania (€91). The EU average expenditure on family/child benefits was €651 per resident (Eurostat, 2017).

As can be seen, the expenses allocated for child-rearing benefits in the economically developed and developing European countries of the EU, where the standard of living differs, are entirely financial. In the case of Romania alone, based on the comparison, it can be concluded from the calculations based on the condition of "1 earning parent – 1 child" that the above figure of 91 euros per resident in 2014 constituted a ratio of approximately 45 %of the minimum wage in Romania at that time in the amounts of 850 and 900 lei (Romanian Government, 2013; Comana, 2014). Even with a corresponding increase in Azerbaijan, this ratio currently amounts to 12.75.

However, in Azerbaijan, based on the 2019 population census (the latest declared information), a total of 72.8 % of families (households) are made up of families with 1 and 2 children under 18 years old (the rest 19 % families with 3 children, and 8.2 % families with 4 or more children), of which 31.4 %are families with 1 child, and 41.4 % families with 2 children (The State Statistical Committee of the Republic of Azerbaijan, 2024).

A comparison with OECD data strengthens the argument that the financial scale of this type of benefit in Azerbaijan is insufficient. Cash benefits provided to families fluctuated around 1-2% of GDP in 2019 (including the highest indicators of 2.3% in Hungary, Estonia and Poland, 1.5 % in Lithuania, and on the other hand 0.3 %in Finland, Korea, 0.2 %in Turkey) (OECD, 2024). If this indicator is calculated for the same year by the State Statistical Committee of the Republic of Azerbaijan (2020), it obtains a very insignificant figure (0.0164).

6. Conclusions.

Considering the expansion of social protection in Azerbaijan, attention should be paid to increasing childcare benefits, which is a salient social protection element.

The importance of protection based on compulsory state social insurance is determined to increase financial efficiency and improve household welfare, which requires changes in the regulatory framework and the financial and economic foundations of the reform.

Given that the number of children in the modern family model in Azerbaijan is mainly 2, if it applies the condition "1 earning parent 2 children" to the obtained indicator, the result will look 2 times lower. If the said ratio is not considered the minimum wage but in another approach concerning the average monthly nominal wage, which is expressed in figures more significant than the minimum monthly wage, lower figures are obtained.

Since the social benefits in the Republic of Azerbaijan are not subject to taxation, it is advisable to calculate these benefits for the near future using an optimistic approach, considering economic conditions and income growth. The benefit amount and average monthly nominal wage analysis show that this percentage was 10.48% in 2022 and 9.42% in 2023.

As seen from the above international comparative data, there is a significant need to increase childcare benefits and expand their scope in the Republic of Azerbaijan.

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